

534. U S WEST and GTE must modify and refile their collocation studies in a manner that meets the requirements imposed by the FCC's Physical Collocation Order.

535. The cost of providing interim local number portability for both U S WEST and GTE is \$1.50 monthly.

536. The bill-and-keep arrangement for transport compensation should not be disturbed by this Order. If an alternative compensation arrangement is ordered in Phase II of this proceeding, U S WEST and GTE must modify and re-file transport cost studies which reflect the cost of money and depreciation lives we prescribe in this Order.

537. The nonrecurring cost to U S WEST of installing an unbundled loop is \$30.15; the nonrecurring cost of disconnection for an unbundled loop is \$11.58. U S WEST is ordered to modify and refile its other nonrecurring cost studies, in a manner consistent with our findings in this Order, no later than 30 days after the date of this Order. If the revised studies do not reflect both the letter and spirit of our findings, we will apply the identical adjustments to those studies according to those findings.

538. GTE is ordered to modify and refile its nonrecurring cost studies, in a manner consistent with our findings in this Order, no later than 30 days after the date of this Order.

539. U S WEST and GTE must file tariffs to implement the Phase II pricing for the network elements for which we establish costs in this Order.

#### **NOTICE OF PREHEARING CONFERENCE**

**(MAY 11, 1998)**

With Phase I of this proceeding completed, the Commission seeks to commence Phase II immediately. The ultimate issue in Phase II is the appropriate prices to be charged by local exchange companies for services, the cost of which was determined by Phase I of this proceeding.

**NOTICE is given that the Commission gives notice that a prehearing conference will be held in Phase II of this matter at 9:30 a.m., Monday, May 11, 1998, in the Commission's Hearing Room, Second Floor, Chandler Plaza Building, 1300 S. Evergreen Park Drive S.W., Olympia, Washington. U S WEST and GTE will distribute at that time the tariffs required by this Order, in two separate formats, the first reflecting prices assuming an equal percentage mark-up over costs consistent with the testimony provided by AT&T and U S WEST, and the second conforming to the market-based pricing approach proposed by GTE, WITA, and Commission Staff.**

If any party or person needs an interpreter or other assistance, please complete the form attached to this notice and return it to the Commission.

ANY PARTY WHO FAILS TO ATTEND OR PARTICIPATE IN THE HEARINGS SET HEREIN, OR OTHER STAGE OF THIS PROCEEDING, MAY BE HELD IN DEFAULT IN ACCORDANCE WITH THE TERMS OF RCW 34.05.440.

DATED at Olympia, Washington, and effective this 16th day of April 1998.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

A handwritten signature in black ink, appearing to read "Richard Hemstad", with a stylized flourish at the end.

RICHARD HEMSTAD, Commissioner

A handwritten signature in black ink, appearing to read "William R. Gillis", with a stylized flourish at the end.

WILLIAM R. GILLIS, Commissioner

**NOTICE TO PARTIES:** This is an Interim Order, and, as such, is not subject to the post-Order review processes of the Administrative Procedure Act. The Commission will entertain requests for clarification of any substantial error of fact and law, but will reject any request which seeks to argue for a different finding or conclusion based upon the record evidence.

## **APPENDIX "A"**

## **APPENDIX "B"**

### **Adjustments to the Hatfield Model**

Common Costs	Remove consideration of common costs from Phase I – zero out common costs. ¶251
Cost of Money	Adopt the cost of money for GTE and U S WEST currently in effect per Commission order: 9.63% for U S WEST and 9.759% for GTE. Exh. 104 at 12-13, and, TLS-3, at 3, 7.
Depreciation	Adopt the projected lives and future net salvage values associated with the depreciation rates for GTE and U S WEST currently in effect per Commission Order. ¶217.
Drop Lengths	For each of the density zones with less than 2,550 lines per square mile, increase drop lengths by 25 feet. The adjustment is based upon data found in the GTE and U S WEST studies, and information collected by the Hatfield engineering team on Washington State loop lengths. No adjustment is made to loop lengths in any other cost studies because no alternative values are proposed. The lack of adjustment to these studies should not be interpreted as an acceptance of the values. ¶134.
External Adjustment for Special Access Line Counts	Adjust the loop cost upward by \$0.66 for U S WEST. Whereas GTE did not propose an adjustment for this item, no change is made to the GTE loop cost estimate. If such data had been provided, an upward adjustment for loop cost likely would result. ¶204.
Fiber/Copper Crossover Point	Adopt a 12,000 feet crossover point. (Implementing this adjustment within BCPM is difficult, since the crossover point is calculated based upon the total distance to the customer, rather than the distance to the serving-area interface. Adopt as an input to BCPM that the maximum loop length for copper is 15,000 feet. ¶198.)

Load Coils	Whereas load coils cannot be removed from the model, factor into the loop cost the likelihood that inclusion of load coils results in an understatement of forward-looking loop costs. ¶145.
Loop Utilization	Adopt default utilization (fill) rate. (Objective fill rates rejected for use in all cost models.) ¶173.
Operations Expense Factor	Adopt an operations expense factor of 70% – 20% higher than the default value. ¶239.
Placement Costs	Factor into the loop cost the likelihood that cable placement costs are understated. ¶98.
Programing Errors	Correct algorithm errors that omit certain sub-feeder cables and maintenance expenses. ¶109
Structure Sharing	Adopt the structure sharing assumptions at ¶76.
Tax Rates	Adopt a 35% income tax, and 5% other tax, rates. Exh. 104, TLS-3.

**Adjustments to U S WEST RLCAP Model**

Bore Cable	Adopt bore cable factor of five percent placement miles for buried cable. ¶55.
Common Costs	Remove consideration of common costs from Phase I – zero out common costs. ¶251.
Cost of Money	Adopt the 9.63% cost of money for U S WEST currently in effect per Commission order. Exh. 104 at 12-13, and, TLS-3 at 3, 7.
Depreciation	Take into the account the projected lives and future net salvage values associated with U S WEST's depreciation rates currently in effect per Commission Order. ¶217. RLCAP is not sufficiently flexible to permit a user to directly enter the values adopted in this proceeding.
Distribution Utilization	Increase line count to 1.25 lines per household. ¶180.
Feeder Utilization	Adopt a feeder utilization (fill) rate of 65%. ¶182.
Grooming	Adopt an unbundling cost of \$2.85 in the U S WEST link study. ¶164
Impact of Competition	Factor into the loop cost the likelihood that a drop in market share increases the unit cost. The impact of a decline in installed loops is illustrated in paragraph 201 regarding special access lines. This discussion suggests that a decline in the number of loops does have a significant impact on the unit cost of production.
Structure Sharing	Accept that 18% of the lines are installed in undeveloped areas. The building developer pays for the placement cost. For the developed areas, assign 93% buried and 85% underground structure cable costs to U S WEST. ¶62.

**Adjustments to Benchmark Cost Proxy Model**

Common Costs	Remove consideration of common costs from Phase I – zero out common costs. ¶251.
Cost of Money	Adopt the cost of money for GTE and U S WEST currently in effect per Commission order: 9.63% for U S WEST and 9.759% for GTE. Exh. 104 at 12-13, and, TLS-3, at 3, 7.
Depreciation	Adopt the projected lives and future net salvage values associated with the depreciation rates for GTE and U S WEST currently in effect per Commission Order. ¶217.
Fiber/Copper Crossover Point	Adopt a maximum loop length for copper of 15,000 feet. (Adopt a 12,000 feet crossover point for the Hatfield Model.) Implementing this adjustment within BCPM is difficult, since the crossover point is calculated based upon the total distance to the customer, rather than the distance to the serving-area interface. ¶198.
Impact of Competition	Factor into the loop cost the likelihood that a drop in market share increases the unit cost. The impact of a decline in installed loops is illustrated in paragraph 201 regarding special access lines. This discussion suggests that a decline in the number of loops has a significant impact on the unit cost of production.
Structure Sharing	Adopt the structure sharing assumptions recommended by Commission Staff. Exh. 104, TLS-3, at 4; ¶76.
Tax Rates	Adopt a 35% income tax, and 5% other tax, rates. Exh. 104, TLS-3.



### ***Adjustments to GTE Model***

Cost of Money	Adopt the 9.759% cost of money for GTE currently in effect per Commission order. Footnote 25.
Depreciation	Adopt the projected lives and future net salvage values associated with GTE's depreciation rates currently in effect per Commission Order. Footnote 25.
Development of Unit Cost	The model erroneously calculates unit costs. GTE's loop model is a compiled 'C' program; the error is uncorrectable in the model. Factor into the loop cost that this error overstates the cost of the loop. ¶188.
Drop Cost	Due to the erroneous calculation of unit cost, the drop investment is reduced by \$28.00. This is equivalent to a \$0.69 reduction in the cost of the loop. ¶116.
Impact of Competition	Factor into the loop cost the likelihood that a drop in market share increases unit cost. The impact of a decline in installed loops is illustrated in paragraph 201 regarding special access lines. This discussion suggests that a decline in the number of loops does have a significant impact on the unit cost of production.
Loop Utilization	Adopt a 60% utilization (fill) rate for feeder and distribution plant. ¶185.
Structure Sharing	The GTE loop model does not provide the flexibility to alter the assumption of zero structural sharing for underground conduit or buried cable. Factor into the loop cost the that this inflexibility results in an overstatement of loop costs. ¶¶168.

# **APPENDIX "C"**

## **Definitions**

<b><u>TERM OR ACRONYM</u></b>	<b><u>ACRONYM DESCRIPTION</u></b>	<b><u>DEFINITION</u></b>
AD4		Electronic equipment used to convert analog to digital voice signals.
annual charge factor		Annual charge factors are constructed for each investment account. The factors are used to convert an investment value to an annual cash-flow requirement. The cash-flow requirement is the level of annual maintenance, return, depreciation, administrative expenses, and tax expenses associated with a dollar of investment.
ARMIS		Information reporting system established by the Federal Communications Commission.
BCPM	Bench Cost Proxy Model	Cost model that can estimate the cost of providing universal service and unbundled network elements.
carrier serving area interface		The loop is divided into two sections, feeder and distribution. When digital line carrier is used in the feeder section of the loop, the carrier serving area interface are the facilities that connect the digital line carrier with the copper distribution facilities.
CAAS/CARS	Cost Accounting Allocation System/Cost Accounting Reporting System	U S WEST's embedded cost accounting process.  Coaxial cable used to transmit television service.
CATV	Cable Antenna Television	Census area of approximately 400 households.
CBG	Census Block Group	Synonymous with wire center. Like a wire center, the loop is terminated on a frame in the building.
central office		A provider of local exchange service that is not an ILEC. A competitive local exchange carrier is a competitor of, among other firms, an ILEC.
CLECs	Competitive Local Exchange Carriers	Copper wires that are used to transmit digital or analog signals. The copper wires are contained in a plastic sheath.
cooper cable		Equipment used to concentrate a number of voice channels on a single pair of fiber optic cable or on two pairs of copper cable.
DACS	Digital Line Carrier	The loop is divided into two sections, feeder and distribution. The distribution facilities are located closest to the customer, while the feeder facilities are closer to the carrier's switching machine.
distribution		
drop		Wire that connects a subscriber's premise to the telephone cable that runs back to the telephone company's central office.

DS0		Transmission of one voice channel at 64 kilobits per second. This is the zero-level signal in the time-division multiplex hierarchy.
DS1		Transmission of twenty-four voice channels at 1.544 megabits per second. This is the first-level signal in the time-division multiplex hierarchy.
DS3		Transmission of 672 voice channels at 44.736 megabits per second. In the time division multiplexing hierarchy of the telephone network, DS3 is defined as the third level of multiplexing.
EF&I	equipped, furnished and installed	The total cost of installing equipment. Included in the total cost is both the material cost and the capitalized labor expenditures.
facility		The equipment used to provide service.
FCC	Federal Communications Commission	Federal regulatory agency responsible for regulating interstate and foreign commerce in communication by wire and radio.
feeder		The loop is divided into two sections, feeder and distribution. The distribution facilities are located closest to the customer, while the feeder facilities are closer to the carrier's switching machine.
fiber cable		Tubes that are used to transmit light signals. The tubes are contained in a plastic sheath.
grooming		Digital line carrier enters a central office at a transmission speed, DS1 or higher, that is faster than the transmission speed of an ordinary voice line. The digital line carrier may be transmitting both retail services and unbundled loops. If the unbundled loop, a DS0 signal, must be directly connected to a CLECs equipment, there is a need to separate, or groom, the unbundled loop from the loops used to provide retail services.
HM	Hatfield Model	Cost model that can estimate the cost of providing universal service and unbundled network elements.
ILECs	Incumbent Local Exchange Carriers	On the date of enactment of the Telecommunications Act of 1996, provided telephone exchange service in such areas; and on such date of enactment, was deemed to be a member of the exchange carrier association pursuant to section 69.601(b) of the Federal Communication Commission's regulations (47 C.F.R. 69.601(b)) and on such date of enactment, was deemed to be a member of the exchange carrier association pursuant to section 69.601(b) of the Commission's regulations (47 C.F.R. 69.601(b)).

integrated digital line carrier		Equipment used to concentrate a number of voice channels on a single pair of fiber optic cable or on two pairs of copper cable. The equipment is "integrated" when the digital line carrier terminates on the local switching machine.
LIS-Link	local interconnection service links	U S WEST term for loop unbundled loop.
load coils		Equipment used to amplify weak signals. Load coils have historically been installed on loops that provide service to customers that are located far from the nearest central office.
loop		Transmission path between the customer's premise and the exchange carrier's main distribution frame or other designated frame or panel in a wire center which serves the customer.
LTM	Loop Technology Module	GTE model for estimating loop costs.
main distribution frame		The distribution frame in a wire center that is used to interconnect loop cable pairs and line and trunk equipment terminals on a switching system.
NID	network interface device	Equipment at the customer's premise that is the interface between the carrier's loop and the customer's inside wiring.
placement cost		The labor cost of installing equipment.
PNR		PNR and Associates of Jenkintown, PA is a consulting firm that provided the Hatfield Model sponsors with demographic and geological data.
RLCAP	regional loop cost analysis program	U S WEST's model for estimating the cost of the loop.
RUS	Rural Utility Service	Federal agency responsible for maintaining and extending service to rural areas of the country.
SCIS	switching cost information system	Belcore model used to estimate switching investment levels.
SCM	switching cost module	U S WEST model used to estimate switching investment levels.
special access		A non plain-old telephone service line. Special access lines come in many different flavors. For example, a special access line could be a low level data transmission service, such as an alarm, as WATS line, or a video-conferencing circuit.

TELRIC	Total Element Long Run Incremental Cost	A measurement of the unit cost of providing a network element. The increment that forms the basis for a TELRIC study shall be the entire quantity of the network element provided.
terminal		Equipment used to terminate a cable.
UNEs	Unbundled Network Elements	The term network element means a facility or equipment used in the provision of a telecommunications service. Such term also includes features, functions, and capabilities that are provided by means of such facility or equipment, including subscriber numbers, databases, signaling systems, and information sufficient for billing and collection or used in the transmission, routing, or other provision of a telecommunications service. An unbundled network element is a network element that has been separated for other network elements.
wire center		Building that terminates the loops that connect a customer to a local exchange carrier's switching machine. A wire center serves as an aggregation point on a given carrier's network, where transmission facilities are connected or switched.

## **APPENDIX "D"**

## **GTE NRC Studies**

GTE is order to refile its NRC studies after making the following changes:

Page	Activity	Work Time	Frequency
002058	Initial Order	10	
002058	Telephone Number Assignment	5	
002058, 002065, 002066	Billing Inquiries	30	5%
002059	Change Order	12	
002060	Billing Inquiries	10	
002062 and 002063	Prepare Circuit Order: Installation Order	30	
002064, 002067	Complete Order: Installation Order	15	
002065	Service Order Entry: Initial Order	10	
002065	Service Order Entry: Change Order	7	10%



## NOTICE

PLEASE BE ADVISED that the hearing facilities are accessible to interested people with disabilities; that smoking is prohibited; and that if limited English-speaking or hearing impaired parties or witnesses are involved in a hearing and need an interpreter, a qualified interpreter will be appointed at no cost to the party or witness.

The information needed to provide an appropriate interpreter or other assistance should be designated below and returned to Washington Utilities and Transportation Commission, Attention: Paul Curl, Acting Secretary, 1300 S. Evergreen Park Drive S.W., P. O. Box 47250, Olympia, WA 98504-7250. (SUPPLY ALL REQUESTED INFORMATION)

Docket No.: \_\_\_\_\_

Case Name: \_\_\_\_\_

Hearing Date: \_\_\_\_\_ Hearing Location: \_\_\_\_\_

Primary Language: \_\_\_\_\_

Hearing Impaired (Yes) \_\_\_\_\_ (No) \_\_\_\_\_

Do you need a certified sign language interpreter:

Visual \_\_\_\_\_ Tactile \_\_\_\_\_

Other type of assistance needed: \_\_\_\_\_

English-speaking person who can be contacted if there are questions:

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Phone No.: (\_\_\_\_) \_\_\_\_\_